

CITY OF ROCKFORD
ROCKFORD, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004



REHMANN ROBSON

Certified Public Accountants

CITY OF ROCKFORD

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

July 30, 2004

Honorable Mayor and
Members of the City Council
City of Rockford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rockford, Michigan (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Rockford, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of Rockford, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2004 on our consideration of the City of Rockford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockford's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of Rockford's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The continuing disclosure section has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on it.

Rehmann Lohorn

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Rockford, we offer readers of the City of Rockford's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The City's commitment to public safety was supported by over 60% of governmental expenditures.
- Construction of a new water tower in the Rockford Highlands was substantially completed to serve the additional homes in Highlands Phase 4 and the Heritage Park subdivisions.
- Road resurfacing was completed in the Brookmark Plat and Highlander streets, continuing our ongoing road maintenance program.
- A Fire prevention grant totaling over \$20,000 was received allowing the distribution of free smoke detectors to the residents of the City of Rockford.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Rockford's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Rockford that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, police and fire services, public works including major and local street maintenance and recreation and cultural activities. The business-type activities of the City include sewer and water services.

The government-wide financial statements include not only the City of Rockford itself (known as the *primary government*), but also a legally separate Downtown Development Authority and Economic Development Corporation for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rockford, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital projects funds, each of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary funds. The City of Rockford maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Rockford uses enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operation, of which both are considered to be major funds of the City of Rockford.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-38 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 39-48 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rockford, assets exceeded liabilities by \$9,417,166 at the close of the most recent fiscal year.

One of the larger portions of the City's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Rockford Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 2,583,791	\$ 2,613,835	\$ 2,428,127	\$ 2,872,563	\$ 5,011,918	\$ 5,486,398
Capital assets	2,843,048	2,770,533	7,913,553	7,492,135	10,756,601	10,262,668
Total assets	5,426,839	5,384,368	10,341,680	10,364,698	15,768,519	15,749,066
Long-term liabilities outstanding	1,181,769	1,281,203	4,838,386	5,186,116	6,020,155	6,467,319
Other liabilities	184,840	137,478	146,358	67,987	331,198	205,465
Total liabilities	1,366,609	1,418,681	4,984,744	5,254,103	6,351,353	6,672,784
Net assets:						
Invested in capital assets, net						
of related debt	1,661,279	1,680,533	3,075,167	2,306,019	4,736,446	3,986,552
Restricted	733,448	679,177	-	-	733,448	679,177
Unrestricted	1,665,503	1,605,977	2,281,769	2,804,576	3,947,272	4,410,553
Total net assets	<u>\$ 4,060,230</u>	<u>\$ 3,965,687</u>	<u>\$ 5,356,936</u>	<u>\$ 5,110,595</u>	<u>\$ 9,417,166</u>	<u>\$ 9,076,282</u>

Net assets of the City increased by \$340,884 with both the governmental and business-type activities showing additions to prior balances. The business-type activities increase in net assets of \$246,341 was primarily the result of a Special Assessment of \$100,275 and the excess being a result of operating revenues over expenditures. The governmental activities increase in net assets of \$94,543 is the result of estimated useful lives utilized in calculating depreciation and the relationship of expenditures to governmental activities revenues.

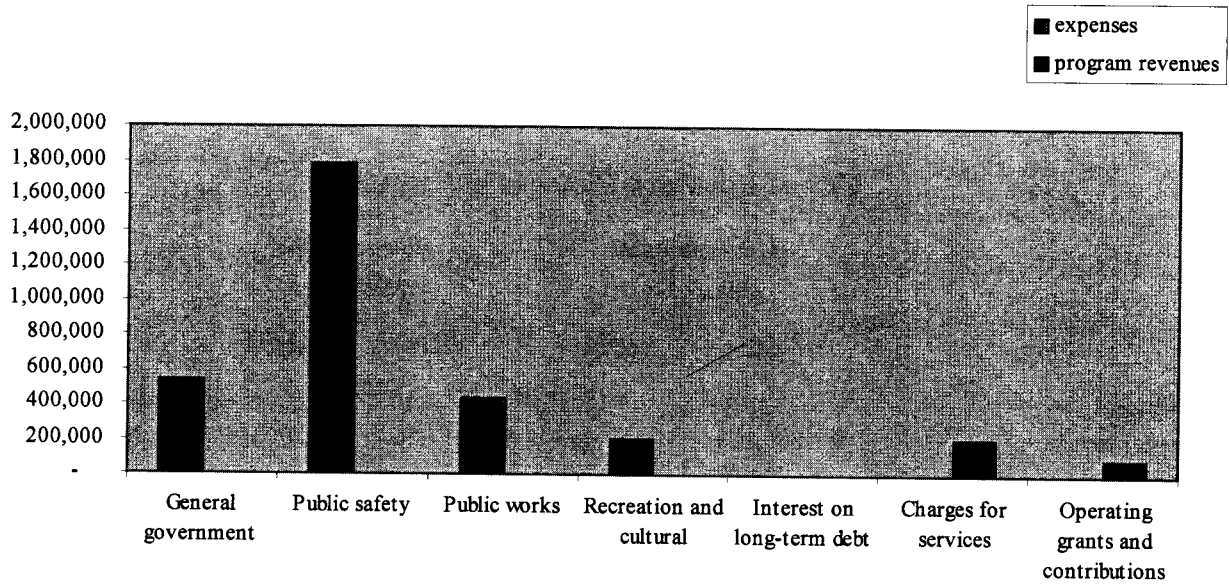
City of Rockford Changes in Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue:						
Program revenue:						
Charges for services	\$ 209,708	\$ 154,060	\$ 2,357,567	2,290,049	\$ 2,567,275	2,444,109
Operating grants and contributions	94,088	56,193	-	-	94,088	56,193
Capital grants and contributions	-	27,478	-	-	-	27,478
General revenue:	303,796	237,731	2,357,567	2,290,049	2,661,363	2,527,780
Property taxes	1,923,290	1,834,426	-	-	1,923,290	1,834,426
Other governmental sources	698,717	718,846	-	-	698,717	718,846
Other	130,421	157,584	38,397	42,624	168,818	200,208
Total revenue	3,056,224	2,948,587	2,395,964	2,332,673	5,452,188	5,281,260
Expenses:						
General government	547,640	534,299	-	-	547,640	534,299
Public safety	1,777,338	1,356,609	-	-	1,777,338	1,356,609
Public works	432,677	585,705	-	-	432,677	585,705
Recreation and cultural	200,750	241,434	-	-	200,750	241,434
Interest on long-term debt	3,276	92,409	-	-	3,276	92,409
Sewer	-	-	1,417,743	1,485,844	1,417,743	1,485,844
Water	-	-	832,155	904,610	832,155	904,610
Total expenses	2,961,681	2,810,456	2,249,898	2,390,454	5,211,579	5,200,910
Increase (decrease) in net assets before special items and transfers	94,543	138,131	146,066	(57,781)	240,609	80,350
Transfers	-	(20,000)	-	-	-	(20,000)
Special items	-	-	100,275	246,484	100,275	246,484
Increase in net assets	94,543	118,131	246,341	188,703	340,884	306,834
Net assets - beginning of year	3,965,687	3,847,556	5,110,595	4,921,892	9,076,282	8,769,448
Net assets - end of year	<u>\$ 4,060,230</u>	<u>\$ 3,965,687</u>	<u>\$ 5,356,936</u>	<u>\$ 5,110,595</u>	<u>\$ 9,417,166</u>	<u>\$ 9,076,282</u>

Governmental activities

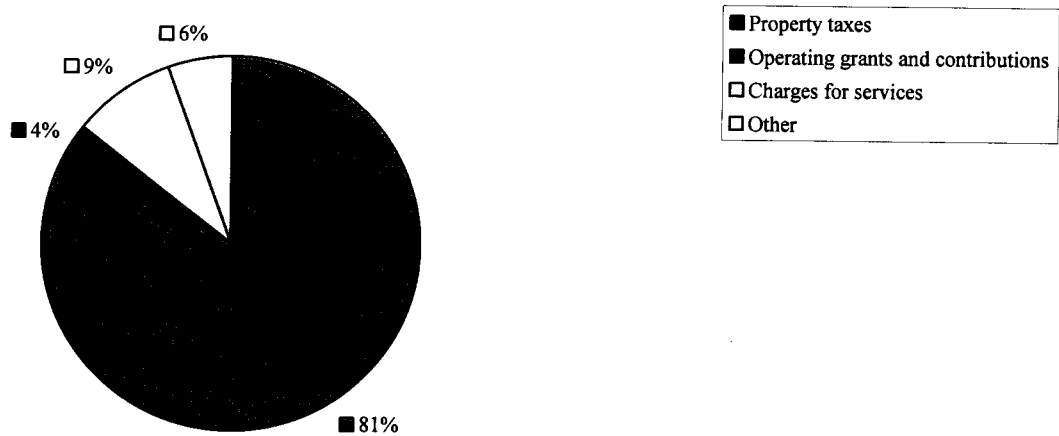
During the year the City continued its emphasis in public safety by investing \$1,777,338 or 60% of governmental activities expenses. Public works, which includes major and local street maintenance was \$432,677 or 15% of governmental activities expenses while general government, recreation and cultural and interest on long-term debt made up the remaining 25% of governmental activities expenses.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

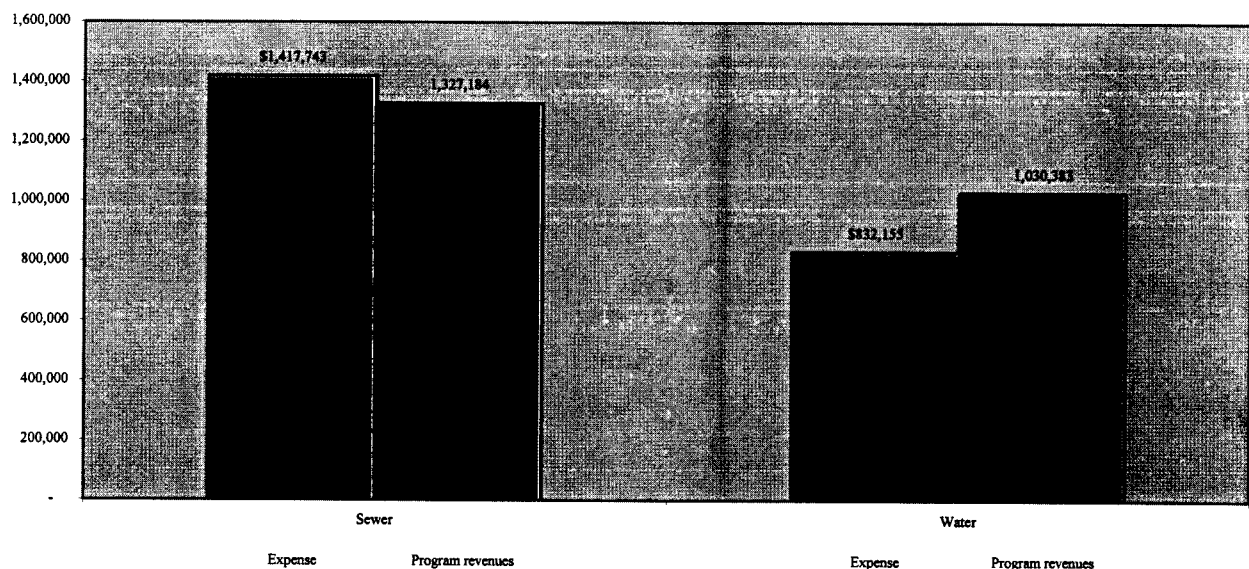
Revenues by Source - Governmental Activities



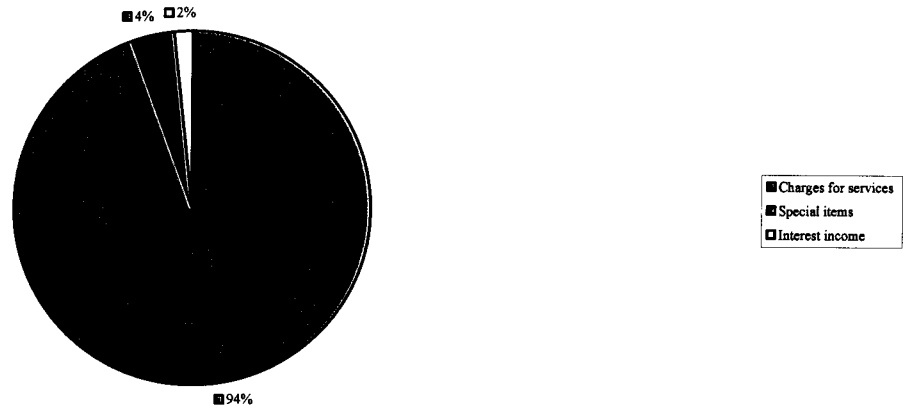
Business-type activities. Business-type activities increased the City's net assets by \$246,341, accounting for 71 percent of the total growth in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of approximately \$188,703. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 2.9 percent, or roughly \$67,518 compared to the prior year.
- Expenses decreased 5.8%, or approximately \$140,556, primarily because of cost control measures.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,923,462, a decrease of \$115,964 in comparison with the prior year. Approximately 84 percent of this total amount (\$2,037,468) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to generate income for cemetery and library purposes (\$376,810), and 2) for fuel inventory replacement (\$9,184).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,001,606, while total fund balance was \$1,010,790. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 43 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$15,119 during the current fiscal year. This is primarily attributable to growth in property tax.

The major and local street funds have total fund balances of \$239,379, which increased by \$25,700 during the year.

The budget stabilization fund has a total fund balance of \$116,947, which was consistent with the June 30, 2003 balance. The balance of this fund is restricted for use as defined by state law.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$1,103,807 and \$997,962, respectively. The sewer fund had a decrease in net assets for the year of \$72,978, whereas the water fund had an increase of \$319,319. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

During the year, general fund revenues were less than budgetary estimates and expenditures were less than budgetary estimates, resulting in an actual increase in fund balance that exceeded the final amended budget amount by \$38,636.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$10,756,601 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and infrastructure which has only been added this year. The total increase in the City's investment in capital assets for the current fiscal year was 3.1 percent (a 3 percent increase for governmental activities and a 0.1 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Purchase of a new fire truck.
- Brookmark repairing
- Water tower construction

City of Rockford Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 1,100,056	\$ 1,100,056	\$ -	\$ -	\$ 1,100,056	\$ 1,100,056
Infrastructure-	196,324	149,643	-	-	196,324	149,643
Buildings and system improvements	813,065	839,831	7,913,553	7,492,135	8,726,618	8,331,966
Vehicles and equipment	733,603	681,003	-	-	733,603	681,003
Total	<u>\$ 2,843,048</u>	<u>\$ 2,770,533</u>	<u>\$ 7,913,553</u>	<u>\$ 7,492,135</u>	<u>\$ 10,756,601</u>	<u>\$ 10,262,668</u>

Additional information on the City of Rockford capital assets can be found in Note 3 on pages 33-34 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$6,020,155. Of this amount, \$4,838,386 was debt of business activities and \$1,181,769 was debt of governmental activities.

General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Accrued employee benefits	\$ 178,859	\$ 191,203	\$ -	\$ -	\$ 178,859	\$ 191,203
Notes	207,910	240,000	-	-	207,910	240,000
Bonds	795,000	850,000	4,838,386	5,186,116	5,633,386	6,036,116
Total	<u>\$1,181,769</u>	<u>\$1,281,203</u>	<u>\$4,838,386</u>	<u>\$5,186,116</u>	<u>\$6,020,155</u>	<u>\$6,467,319</u>

The City's total debt decreased by \$425,550 (9 percent) during the current fiscal year.

The City is currently not rated for general obligation bond issuance.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10 percent of its total assessed valuation. The current debt limitation for the City is \$20,537,390, which is significantly in excess of the City's outstanding general obligation debt of \$1,002,910.

Additional information on the City's long-term debt can be found in Note 7 on pages 36-38 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2004-05 fiscal year:

- Increased employee wages cost of 2%.
- Increased health insurance cost of 18%.
- Increased property tax revenue of 3.5%.
- No change in state revenue sharing payments due to state budget issues.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 7 South Monroe St., Rockford, Michigan 49341.

BASIC FINANCIAL STATEMENTS

CITY OF ROCKFORD

STATEMENT OF NET ASSETS

JUNE 30, 2004

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	DOWNTOWN DEVELOPMENT AUTHORITY	ECONOMIC DEVELOPMENT CORPORATION
			TOTAL		
ASSETS					
Cash and temporary investments	\$ 1,877,814	\$ 1,210,813	\$ 3,088,627	\$ 30,534	\$ 5,078
Investments	500,000	600,000	1,100,000	-	-
Receivables					
Accounts	70,392	346,874	417,266	745	-
Special assessments	-	84,420	84,420	-	-
Interest	5,017	6,020	11,037	-	-
Due from other governmental units	121,384	-	121,384	-	-
Restricted assets					
Cash and temporary investments	-	180,000	180,000	-	-
Inventory	9,184	-	9,184	-	-
Land	1,100,056	-	1,100,056	-	-
Property, plant and equipment, net of accumulated depreciation	1,742,992	7,913,553	9,656,545	1,307,719	-
TOTAL ASSETS	5,426,839	10,341,680	15,768,519	1,338,998	5,078
LIABILITIES					
Accounts payable	90,616	86,643	177,259	-	-
Other accrued liabilities	69,593	18,480	88,073	-	-
Deposits	120	-	120	-	-
Miscellaneous liabilities	24,511	41,235	65,746	14,578	-
Noncurrent liabilities					
Unamortized discount on revenue bonds	-	(21,614)	(21,614)	-	-
Due within one year	117,150	385,000	502,150	55,000	-
Due in more than one year	1,064,619	4,475,000	5,539,619	620,000	-
TOTAL LIABILITIES	1,366,609	4,984,744	6,351,353	689,578	-
NET ASSETS					
Invested in capital assets, net of related debt	1,661,279	3,075,167	4,736,446	632,719	-
Restricted for					
Major streets	129,598	-	129,598	-	-
Local streets	109,781	-	109,781	-	-
Library operating	56,906	-	56,906	-	-
Capital projects	60,353	-	60,353	-	-
Perpetual care	235,662	-	235,662	-	-
Library endowment	141,148	-	141,148	-	-
Unrestricted	1,665,503	2,281,769	3,947,272	16,701	5,078
TOTAL NET ASSETS	\$ 4,060,230	\$ 5,356,936	\$ 9,417,166	\$ 649,420	\$ 5,078

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
- PRIMARY GOVERNMENT					
Governmental activities					
General government	\$ 547,640	\$ 31,085	\$ -	\$ -	\$ (516,555)
Public safety	1,777,338	7,618	58,026	-	(1,711,694)
Public works	432,677	171,005	27,507	-	(234,165)
Recreation and cultural	200,750	-	8,555	-	(192,195)
Interest on long-term debt	3,276	-	-	-	(3,276)
Total governmental activities	2,961,681	209,708	94,088	-	(2,657,885)
Business-type activities					
Sewer	1,417,743	1,327,184	-	-	(90,559)
Water	832,155	1,030,383	-	-	198,228
Total business-type activities	2,249,898	2,357,567	-	-	107,669
TOTAL PRIMARY GOVERNMENT	\$ 5,211,579	\$ 2,567,275	\$ 94,088	\$ -	\$ (2,550,216)
COMPONENT UNITS					
Downtown Development Authority	\$ 90,872	\$ -	\$ -	\$ -	(90,872)
Economic Development Corporation	2,922	-	-	-	(2,922)
TOTAL COMPONENT UNITS	\$ 93,794	\$ -	\$ -	\$ -	(93,794)

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY	ECONOMIC DEVELOPMENT CORPORATION
CHANGES IN NET ASSETS					
Net (expense) revenue	\$ (2,657,885)	\$ 107,669	\$ (2,550,216)	\$ (90,872)	\$ (2,922)
General revenues:					
Property taxes	1,923,290	-	1,923,290	100,458	-
Other governmental sources	698,717	-	698,717	-	-
Grants and contributions not restricted to specific programs	32,785	-	32,785	-	-
Unrestricted investment earnings	112,636	38,397	151,033	605	75
Special item	-	100,275	100,275	-	-
Miscellaneous (expenses) and revenues	(15,000)	-	(15,000)	15,000	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS AND TRANSFERS	2,752,428	138,672	2,891,100	116,063	75
Change in net assets	94,543	246,341	340,884	25,191	(2,847)
NET ASSETS, BEGINNING OF YEAR	3,965,687	5,110,595	9,076,282	624,229	7,925
NET ASSETS, END OF YEAR	\$ 4,060,230	\$ 5,356,936	\$ 9,417,166	\$ 649,420	\$ 5,078

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2004

<u>ASSETS</u>	GENERAL FUND	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and temporary investments	\$ 553,373	\$ 504,224	\$ 820,217	\$ 1,877,814
Investments	400,000	100,000	-	500,000
Receivables:				
Accounts	70,057	-	-	70,057
Interest	4,014	1,003	-	5,017
Due from other governmental units	75,384	-	46,335	121,719
Inventory	9,184	-	-	9,184
<u>TOTAL ASSETS</u>	<u>\$ 1,112,012</u>	<u>\$ 605,227</u>	<u>\$ 866,552</u>	<u>\$ 2,583,791</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 34,086	\$ 42,950	\$ 13,580	\$ 90,616
Other accrued liabilities	67,016	-	2,577	69,593
Deposits	120	-	-	120
<u>TOTAL LIABILITIES</u>	<u>101,222</u>	<u>42,950</u>	<u>16,157</u>	<u>160,329</u>
FUND BALANCE				
Reserved for inventory	9,184	-	-	9,184
Reserved for perpetual care	-	-	235,662	235,662
Reserved for library endowment	-	-	141,148	141,148
Unreserved- undesignated reported in special revenue funds	-	-	413,232	413,232
Unreserved- undesignated reported in capital projects funds	-	562,277	60,353	622,630
Unreserved- undesignated	1,001,606	-	-	1,001,606
<u>TOTAL FUND BALANCES</u>	<u>1,010,790</u>	<u>562,277</u>	<u>850,395</u>	<u>2,423,462</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,112,012</u>	<u>\$ 605,227</u>	<u>\$ 866,552</u>	<u>\$ 2,583,791</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO THE NET ASSETS OF GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

JUNE 30, 2004

Fund balances- total governmental funds \$ 2,423,462

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds.

Add- land	1,100,056
Add- capital assets (net of accumulated depreciation)	1,742,992

Certain liabilities, such as bond payable, are not due and payable in the
current period and therefore are not reported in the funds.

Deduct- bonds payable	(1,002,910)
Deduct- accrued interest	(24,511)
Deduct - compensated absences	<u>(178,859)</u>

Net assets of governmental activities	<u><u>\$ 4,060,230</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL FUND	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 1,923,290	\$ -	\$ -	\$ 1,923,290
Licenses and permits	71,691	-	-	71,691
Intergovernmental revenue:				
Local	55,500	-	292,775	348,275
State	417,023	-	-	417,023
Charges for services	54,432	-	-	54,432
Fines and forfeitures	7,618	-	-	7,618
Interest and rentals	99,801	7,874	8,893	116,568
Other	25,890	72,389	34,050	132,329
TOTAL REVENUES	2,655,245	80,263	335,718	3,071,226
EXPENDITURES				
Current:				
General government	449,392	-	-	449,392
Public safety	1,338,308	-	-	1,338,308
Public works	396,531	-	260,895	657,426
Recreation and cultural	118,330	-	30,363	148,693
Other expenditures	41,026	-	-	41,026
Capital outlay	-	430,018	10,491	440,509
Debt service:				
Principal retirement	-	-	55,000	55,000
Interest and fiscal charges	-	-	41,836	41,836
TOTAL EXPENDITURES	2,343,587	430,018	398,585	3,172,190
REVENUES OVER (UNDER) EXPENDITURES	311,658	(349,755)	(62,867)	(100,964)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,697	168,400	206,836	378,933
Transfers (out)	(285,236)	-	(93,697)	(378,933)
Transfer to component units	(15,000)	-	-	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	(296,539)	168,400	113,139	(15,000)
NET CHANGE IN FUND BALANCES	15,119	(181,355)	50,272	(115,964)
FUND BALANCES, BEGINNING OF YEAR	995,671	743,632	800,123	2,539,426
FUND BALANCES, END OF YEAR	\$ 1,010,790	\$ 562,277	\$ 850,395	\$ 2,423,462

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$(115,964)

Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital outlay	291,847
Deduct - depreciation expense	(219,332)

Bond proceeds provide current financial resources to governmental funds in the period
issued, but issuing bonds increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	87,090
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Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in interest expense for accrued interest	38,558
Add - decrease in the accrual for compensated absences	<u>12,344</u>

Change in net assets of governmental activities	<u><u>\$ 94,543</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,926,300	\$ 1,926,300	\$ 1,923,290	\$ (3,010)
Licenses and permits	50,500	50,500	71,691	21,191
Intergovernmental revenue:				
Local	42,500	42,500	55,500	13,000
State	468,321	468,321	417,023	(51,298)
Charges for services	67,200	67,200	54,432	(12,768)
Fines and forfeitures	7,000	7,000	7,618	618
Interest and rentals	99,530	99,530	99,801	271
Other	14,500	14,500	25,890	11,390
TOTAL REVENUES	2,675,851	2,675,851	2,655,245	(20,606)
EXPENDITURES				
GENERAL GOVERNMENT				
City Council	18,108	31,108	28,130	2,978
Elections	6,295	6,295	4,552	1,743
Assessor	68,380	74,380	83,453	(9,073)
City Clerk	253,950	253,950	255,045	(1,095)
Cemetery	72,650	73,650	73,463	187
Planning Commission	14,350	14,350	4,749	9,601
TOTAL GENERAL GOVERNMENT	433,733	453,733	449,392	4,341
PUBLIC SAFETY				
Police	973,240	972,240	965,941	6,299
Fire	388,000	388,000	372,367	15,633
TOTAL PUBLIC SAFETY	1,361,240	1,360,240	1,338,308	21,932
TOTAL PUBLIC WORKS	400,450	400,450	396,531	3,919
TOTAL RECREATION AND CULTURAL	136,545	143,545	118,330	25,215
TOTAL OTHER EXPENDITURES	46,000	46,000	41,026	4,974
TOTAL EXPENDITURES	2,377,968	2,403,968	2,343,587	60,381
REVENUE OVER (UNDER) EXPENDITURES	297,883	271,883	311,658	39,775
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	3,697	(1,303)
Transfers (out)	(285,400)	(285,400)	(285,236)	164
Transfer to component unit	(15,000)	(15,000)	(15,000)	-
TOTAL OTHER FINANCING USES	(295,400)	(295,400)	(296,539)	(1,139)
NET CHANGE IN FUND BALANCES	2,483	(23,517)	15,119	38,636
FUND BALANCES, BEGINNING OF YEAR	995,671	995,671	995,671	-
FUND BALANCES, END OF YEAR	\$ 998,154	\$ 972,154	\$ 1,010,790	\$ 38,636

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS

JUNE 30, 2004

	SEWER	WATER	TOTALS
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 619,244	\$ 591,569	\$ 1,210,813
Investments	300,000	300,000	600,000
Receivables:			
Accounts	200,022	146,852	346,874
Special assessments	-	84,420	84,420
Interest	3,010	3,010	6,020
TOTAL CURRENT ASSETS	1,122,276	1,125,851	2,248,127
Restricted cash and temporary investments	-	180,000	180,000
Property, plant and equipment, net of accumulated depreciation	2,131,865	5,781,688	7,913,553
TOTAL ASSETS	3,254,141	7,087,539	10,341,680
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	4,750	81,893	86,643
Other accrued liabilities	13,719	45,996	59,715
Current maturities of long-term debt	155,000	230,000	385,000
TOTAL CURRENT LIABILITIES	173,469	357,889	531,358
LONG-TERM LIABILITIES			
Revenue bonds payable, net of current maturities	1,275,000	3,200,000	4,475,000
Unamortized discount on revenue bonds	(17,379)	(4,235)	(21,614)
TOTAL LONG-TERM LIABILITIES	1,257,621	3,195,765	4,453,386
TOTAL LIABILITIES	1,431,090	3,553,654	4,984,744
NET ASSETS			
Invested in capital assets, net of related debt	719,244	2,355,923	3,075,167
Restricted for debt service	-	180,000	180,000
Unrestricted	1,103,807	997,962	2,101,769
TOTAL NET ASSETS	\$ 1,823,051	\$ 3,533,885	\$ 5,356,936

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
ENTERPRISE FUNDS**

FOR THE YEAR ENDED JUNE 30, 2004

	SEWER	WATER	TOTAL
OPERATING REVENUES			
Charges for services	\$ 1,327,184	\$ 1,030,383	\$ 2,357,567
OPERATING EXPENSES			
Capital outlay	-	8,286	8,286
Personnel services	191,662	301,668	493,330
Professional and contractual services	938,880	86,231	1,025,111
Materials and supplies	9,893	80,156	90,049
Utilities	17,601	80,915	98,516
Repairs and maintenance	78,743	16	78,759
Insurance and bonds	15,035	7,431	22,466
Equipment rental	8,791	-	8,791
Depreciation	116,872	123,264	240,136
Miscellaneous	1,454	5,619	7,073
TOTAL OPERATING EXPENSES	1,378,931	693,586	2,072,517
OPERATING INCOME (LOSS)	(51,747)	336,797	285,050
NONOPERATING REVENUES (EXPENSES)			
Interest income	14,531	23,866	38,397
Miscellaneous	3,050	97,225	100,275
Interest expense	(38,812)	(136,919)	(175,731)
Paying agent fees	-	(1,650)	(1,650)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(21,231)	(17,478)	(38,709)
CHANGE IN NET ASSETS	(72,978)	319,319	246,341
NET ASSETS, BEGINNING OF YEAR	1,896,029	3,214,566	5,110,595
NET ASSETS, END OF YEAR	\$ 1,823,051	\$ 3,533,885	\$ 5,356,936

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	SEWER	WATER	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,292,689	\$ 985,290	\$ 2,277,979
Cash payments to suppliers for goods and services	(1,073,328)	(187,352)	(1,260,680)
Cash payments to employees for services	(191,662)	(301,668)	(493,330)
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,699	496,270	523,969
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous non-operating revenue	3,050	97,225	100,275
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisitions of capital assets	-	(661,554)	(661,554)
Principal paid on long-term debt	(135,000)	(215,000)	(350,000)
Interest and fiscal charges	(38,812)	(138,569)	(177,381)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(173,812)	(1,015,123)	(1,188,935)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	16,678	26,013	42,691
NET INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	(126,385)	(395,615)	(522,000)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	745,629	1,167,184	1,912,813
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 619,244	\$ 771,569	\$ 1,390,813
Cash and temporary investments	\$ 619,244	\$ 591,569	\$ 1,210,813
Restricted cash and temporary investments	-	180,000	180,000
	\$ 619,244	\$ 771,569	\$ 1,390,813
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (51,747)	\$ 336,797	\$ 285,050
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	116,872	123,264	240,136
Amortization of bond discount	1,200	1,070	2,270
Changes in assets and liabilities which provided (used) cash:			
Accounts receivable	(35,695)	10,043	(25,652)
Special assessments receivable	-	(56,206)	(56,206)
Accounts payable	4,750	81,851	86,601
Other accrued liabilities	(7,681)	(549)	(8,230)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 27,699	\$ 496,270	\$ 523,969

The accompanying notes are an integral part of these financial statements.

CITY OF ROCKFORD

***STATEMENT OF NET ASSETS
AGENCY FUNDS***

JUNE 30, 2004

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and temporary investments	<u>\$ 79,858</u>
LIABILITIES	
Payroll taxes and withholdings	\$ 47,647
Due to other governmental units	(672)
Due to other entities	<u>32,883</u>
TOTAL CURRENT LIABILITIES	<u>\$ 79,858</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rockford (the "City") was incorporated June 17, 1935, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles. The following is a summary of the more significant policies:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The City has no blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Discretely Presented Component Units

Downtown Development Authority – The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Economic Development Corporation – The members of the governing board of the Economic Development Corporation are appointed by the City Council. The budgets and expenditures of the Economic Development Corporation must be approved by the City Council. The City also has the ability to significantly influence operations of the Economic Development Corporation.

Complete financial statements for the component units are not separately prepared.

Joint Venture

The City of Rockford is a participant in the North Kent Sewer Authority ("Authority") (a joint venture as defined by GASB Statement No. 14). The purpose of the Authority is to construct and maintain sewage transportation infrastructure. The City utilizes the Authority to transport City of Rockford sewage to the City of Grand Rapids Sanitary Sewer System for treatment and disposal.

The City pays the Authority based on its share of sewage flow through the system to cover debt service, maintenance and administration of the Authority. The Authority was created and has outstanding insured municipal bonds of \$16,510,000. The City has pledged its limited faith and credit for the bonds based on City sewage flow through the system. Financial statements can be obtained by contacting the North Kent Sewer Authority, P.O. Box 561, Rockford, MI 49341-0561.

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the delinquent real property taxes are paid by the City to other units of government and the County is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* is utilized to account for the accumulation of resources and for construction of public facilities.

The City reports the following major proprietary funds:

Sewer Fund – This fund is used to account for the cost of collecting and treating wastewater. Revenues are chiefly from service charges to customers. These revenues are also used to pay principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system. Treatment and transportation facilities are provided by the City of Grand Rapids and the North Kent sewer authority respectively.

Water Fund – The cost of providing water services to City residents is accounted for by this fund. Revenues are primarily from charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for revenue from specific revenue (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *Capital Projects Fund* accounts for the accumulation and disbursement of resources for the construction of City capital projects.

The *Permanent Funds* are used to record the activity of legal trusts for which the interest on the corpus provides funds for City operations.

The *Agency Funds* are used to account for assets held on behalf of outside parties, including other governments.

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
5. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2004. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
6. Budgets for expenditures are adopted at the functional level.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Temporary Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash and temporary investments.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory

Inventory is valued at the lower of cost or market, on the first-in first-out basis.

Restricted Assets

Certain resources set aside for the repayment of the City's enterprise fund revenue bonds, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The capitalization threshold is \$5,000. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added beginning in 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	25
Buildings	25 - 30
Office furniture and equipment	5 - 20
Vehicles	3 - 10
Public domain infrastructure	50
System infrastructure	30

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1st. Taxes are levied July 1 and are due without penalty on or before August 10. These summer tax bills include the City's own property taxes and taxes billed on behalf of other districts within the City limits. Real property taxes not collected are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accrued Vacation and Sick Leave

Under terms of union contracts and City policies, employees are granted sick leave in varying amounts. At the end of each fiscal year, each employee shall be paid for 50% of all unused sick leave above the amount allowed to be accumulated by the employee, (72 days for all departments except for police, whose limit is 90 days). Upon retirement or death, payments will be made for 50% of accumulated sick leave. Vacation time must be utilized by each employee's anniversary date and may not be carried over.

Accumulated unpaid sick leave is recorded on the statement of net assets. Current portions of unpaid sick leave are considered immaterial.

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the City.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

2. DEPOSITS AND INVESTMENTS

The captions on the government-wide and fund statements relating to cash and temporary investments and investments are as follows:

Deposits:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and temporary investments	\$3,088,627	\$35,612	\$79,858	\$3,204,097
Investments (certificates of deposit)	1,100,000	-	-	1,100,000
Restricted cash and temporary investments	180,000	-	-	180,000
Total cash and investments	<u>\$4,368,627</u>	<u>\$35,612</u>	<u>\$79,858</u>	<u>\$4,484,097</u>

The carrying amount of deposits at June 30, 2004 was \$4,484,097 and the bank balance is as follows:

	<u>Bank Balance</u>
Insured (FDIC)	\$ 600,053
Uninsured, uncollateralized	<u>2,957,458</u>
Total	<u>\$3,557,511</u>

These deposits are in seven (7) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. Deposits and investments are recorded in City records at fair value.

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Statutory Authority

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

3. CAPITAL ASSETS

Changes in capital assets for the year ending June 30, 2004, are as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2004</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	<u>\$1,100,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,100,056</u>
Capital assets, being depreciated:				
Infrastructure	149,643	51,715	-	201,358
Buildings and improvements	1,299,544	-	-	1,299,544
Vehicles and equipment	<u>1,004,668</u>	<u>240,132</u>	<u>-</u>	<u>1,244,800</u>
	<u>2,453,855</u>	<u>291,847</u>	<u>-</u>	<u>2,745,702</u>

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3. CAPITAL ASSETS (CONTINUED)

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Less accumulated depreciation for:				
Infrastructure	\$ -	\$ 5,034	\$ -	\$ 5,034
Buildings	459,713	26,766	-	486,479
Vehicles and equipment	323,665	187,532	-	511,197
Total accumulated depreciation	<u>783,378</u>	<u>219,332</u>	<u>-</u>	<u>1,002,710</u>
Net capital assets, being depreciated	<u>1,670,477</u>	<u>72,515</u>	<u>-</u>	<u>1,742,992</u>
Net capital assets - governmental activities	<u>\$2,770,533</u>	<u>\$ 72,515</u>	<u>\$ -</u>	<u>\$2,843,048</u>
Business-type activities				
Capital assets being depreciated:				
Water system	\$6,659,288	\$661,554	\$ -	\$7,320,842
Sewer system	3,880,437	-	-	3,880,437
Accumulated depreciation	(3,047,590)	(240,136)	-	(3,287,726)
Net capital assets - business-type activities	<u>\$7,492,135</u>	<u>\$421,418</u>	<u>\$ -</u>	<u>\$7,913,553</u>
Component unit				
Buildings	\$1,580,836	\$ -	\$ -	\$1,580,836
Accumulated depreciation	(241,501)	(31,616)	-	(273,117)
Net capital assets - component unit	<u>\$1,339,335</u>	<u>\$(31,616)</u>	<u>\$ -</u>	<u>\$1,307,719</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 35,222
Public safety	110,676
Public works	58,801
Recreation and cultural	14,633
Total depreciation expense - governmental activities	<u>\$219,332</u>
Business-type activities:	
Sewer	\$116,872
Water	123,264
Total depreciation expense - business type activities	<u>\$240,136</u>

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4. INTERFUND TRANSFERS

The composition of transfers for the year ended June 30, 2004, is as follows:

	<u>Transfers To</u>	<u>Transfers From</u>
Governmental Funds:		
General Fund	\$ 3,697	\$285,236
Capital Projects	168,400	-
Nonmajor	206,836	93,697
Total	<u>\$378,933</u>	<u>\$378,933</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

5. DEFINED BENEFIT PENSION PLAN

Municipal Employees Retirement System of Michigan

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate is 5.7% of annual covered payroll. Participating employees are not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

For the year ended June 30, 2004 the City's annual pension cost for MERS of \$180,899 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment of 20% of the difference between assumed earnings and market value (5 year seniority) to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$155,025	100%	\$ -
2003	138,941	100%	-
2004	180,899	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/01	\$1,937,434	\$2,494,526	\$557,092	78%	\$1,448,460	38%
12/31/02	2,100,943	2,746,953	646,010	76%	1,499,124	43%
12/31/03	2,341,702	3,206,565	864,864	73%	1,572,480	55%

6. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for employees and the related assets and liabilities are not included in this report.

7. LONG-TERM DEBT

The following is a summary of debt transactions of the City for the year ended June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Governmental activities					
5.05% Transportation Bonds, series 1999; payable in annual amounts of \$45,000 to \$90,000 through 2015	\$ 850,000	\$ -	\$55,000	\$ 795,000	\$ 55,000
3.19% Installment Note; payable in annual amounts of \$32,090 to \$36,486 through 2010	240,000	-	32,090	207,910	32,150
Accrued Employee Benefits	191,203	-	12,344	178,859	30,000
Total governmental activities	1,281,203	-	99,434	1,181,769	117,150

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

7. LONG-TERM DEBT (CONTINUED)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
Business-type activities					
7.5% - 12% Water Construction Revenue Bonds	\$ 130,000	\$ -	\$ 40,000	\$ 90,000	\$ 45,000
5.25 - 7.0% Water Supply System Revenue Bonds 1997	605,000	-	20,000	585,000	25,000
6% - 9.96% 1991 Water Supply System Revenue Bonds	325,000	-	50,000	275,000	50,000
1999 2.5% MI Drinking Water Revolving Fund Loan	2,040,000	-	105,000	1,935,000	110,000
2.0% - 3.625% Local Government Loan Program Revenue Refunding Bonds, Series 2002B; payable in annual amounts of \$115,000 to \$185,000 through 2013	1,565,000	-	135,000	1,430,000	135,000
4.0% - 4.050% Capital Improvement Bonds, Series 2003	545,000	-	-	545,000	20,000
Unamortized discounts	(23,884)	-	(2,270)	(21,614)	-
Total business-type activities	5,186,116		347,730	4,838,386	385,000
Component Unit					
5% - 5.25% Limited Tax Development Bonds, Series 1997	725,000	-	50,000	675,000	55,000
Total long-term debt - reporting entity	\$7,192,319	\$ -	\$497,164	\$6,695,155	\$557,150

CITY OF ROCKFORD
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

7. LONG-TERM DEBT (CONTINUED)

The annual requirements, excluding accrued employee benefits and unamortized discounts, to maturity on the total long-term obligations outstanding at June 30, 2004 are as follows:

	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 87,150	\$ 45,137	\$ 385,000	\$ 166,825	\$ 55,000	\$ 34,987
2006	93,183	41,199	405,000	152,268	60,000	32,238
2007	94,250	37,102	410,000	136,949	65,000	29,237
2008	100,352	32,845	420,000	122,505	70,000	25,988
2009	106,488	28,299	430,000	107,186	75,000	22,312
2010-2014	431,486	75,480	1,760,000	318,855	350,000	47,250
2015-2019	90,000	2,273	865,000	107,370	-	-
2020-2024	-	-	185,000	19,339	-	-
	\$1,002,909	\$262,335	\$4,860,000	\$1,131,297	\$675,000	\$192,012

Advance Refunding

During prior years, the City of Rockford issued \$1,680,000 of City of Rockford sewer revenue bonds to provide resources to purchase U.S. Government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$1,580,000 on refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The remaining balance of this debt is \$1,630,000.

8. LITIGATION

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

9. COMMITMENTS

As of fiscal year end the City had outstanding commitments of approximately \$170,000 for construction contracts.

* * * * *

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

CITY OF ROCKFORD

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2004

<u>ASSETS</u>	SPECIAL REVENUE			
	MAJOR STREETS	LOCAL STREETS	BUDGET STABALIZATION	LIBRARY
- Cash and temporary investments	\$ 98,757	\$ 110,131	\$ 116,947	\$ 57,554
Due from other governmental units	33,000	13,000	-	-
<u>TOTAL ASSETS</u>	<u>\$ 131,757</u>	<u>\$ 123,131</u>	<u>\$ 116,947</u>	<u>\$ 57,554</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 1,147	\$ 12,357	\$ -	\$ 76
Other accrued liabilities	1,012	993	-	572
<u>TOTAL LIABILITIES</u>	<u>2,159</u>	<u>13,350</u>	<u>-</u>	<u>648</u>
FUND BALANCES				
Unreserved - undesignated	129,598	109,781	116,947	56,906
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 131,757</u>	<u>\$ 123,131</u>	<u>\$ 116,947</u>	<u>\$ 57,554</u>

DEBT SERVICE	CAPITAL PROJECT		PERMANENT FUNDS		TOTALS
	LIBRARY	CEMETERY TRUST	LIBRARY ENDOWMENT		
\$ -	\$ 60,353	\$ 235,327	\$ 141,148	—\$ 820,217	
-	-	335	-	46,335	
\$ -	\$ 60,353	\$ 235,662	\$ 141,148	\$ 866,552	
\$ -	\$ -	\$ -	\$ -	13,580	
-	-	-	-	2,577	
-	-	-	-	16,157	
-	60,353	235,662	141,148	850,395	
\$ -	\$ 60,353	\$ 235,662	\$ 141,148	\$ 866,552	

CITY OF ROCKFORD

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE			
	MAJOR STREETS	LOCAL STREETS	BUDGET STABILIZATION	LIBRARY
REVENUES				
Intergovernmental revenue:				
State	\$ 203,416	\$ 80,804	\$ -	\$ 8,555
Interest and rentals	1,519	856	1,272	658
Other	-	-	-	205
TOTAL REVENUES	204,935	81,660	1,272	9,418
EXPENDITURES				
Current:				
Public works	115,263	145,632	-	-
Capital outlay	-	-	-	-
Recreation and cultural	-	-	-	28,145
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	115,263	145,632	-	28,145
REVENUES OVER (UNDER) EXPENDITURES	89,672	(63,972)	1,272	(18,727)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	90,000	-	20,000
Transfers (out)	(85,000)	(5,000)	(1,272)	-
TOTAL OTHER FINANCING SOURCES (USES)	(85,000)	85,000	(1,272)	20,000
NET CHANGE IN FUND BALANCES	4,672	21,028	-	1,273
FUND BALANCES, BEGINNING OF YEAR	124,926	88,753	116,947	55,633
FUND BALANCES, END OF YEAR	\$ 129,598	\$ 109,781	\$ 116,947	\$ 56,906

DEBT SERVICE	CAPITAL PROJECTS		PERMANENT FUNDS		TOTALS
	LIBRARY	CEMETERY TRUST	LIBRARY ENDOWMENT		
\$	-	\$	-	\$	292,775
	-	658	2,425	1,505	8,893
	-	-	31,085	2,760	34,050
	-	658	33,510	4,265	335,718
	-	-	-	-	260,895
	-	2,917	7,574	-	10,491
	-	-	-	2,218	30,363
55,000	-	-	-	-	55,000
41,836	-	-	-	-	41,836
96,836	2,917	7,574	2,218		398,585
(96,836)	(2,259)	25,936	2,047		(62,867)
96,836	-	-	-		206,836
-	-	(2,425)	-		(93,697)
96,836	-	(2,425)	-		113,139
-	(2,259)	23,511	2,047		50,272
-	62,612	212,151	139,101		800,123
\$	-	\$ 60,353	\$ 235,662	\$ 141,148	\$ 850,395

CITY OF ROCKFORD

**MAJOR STREETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenue:				
State	\$ 185,000	\$ 185,000	\$ 203,416	\$ 18,416
Interest and rentals	2,500	2,500	1,519	(981)
TOTAL REVENUES	187,500	187,500	204,935	17,435
EXPENDITURES				
Highways and Streets:				
Construction	15,000	15,000	12,379	2,621
Routine maintenance	59,195	58,195	54,483	3,712
Traffic control	8,230	9,230	9,067	163
Winter maintenance	14,920	20,920	20,619	301
Administration	17,755	20,255	18,715	1,540
TOTAL EXPENDITURES	115,100	123,600	115,263	8,337
REVENUES OVER (UNDER) EXPENDITURES	72,400	63,900	89,672	25,772
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(85,000)	(85,000)	(85,000)	-
NET CHANGE IN FUND BALANCES	(12,600)	(21,100)	4,672	25,772
FUND BALANCE, BEGINNING OF YEAR	124,926	124,926	124,926	-
FUND BALANCE, END OF YEAR	\$ 112,326	\$ 103,826	\$ 129,598	\$ 25,772

CITY OF ROCKFORD

**LOCAL STREETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenue:				
State	\$ 72,000	\$ 72,000	\$ 80,804	\$ 8,804
Interest and rentals	2,000	2,000	856	(1,144)
TOTAL REVENUES	74,000	74,000	81,660	7,660
EXPENDITURES				
Highways and Streets:				
Construction	40,000	53,000	53,389	(389)
Routine maintenance	75,925	72,925	50,192	22,733
Traffic control	5,400	5,400	2,645	2,755
Winter maintenance	21,185	21,185	20,684	501
Administration	15,805	19,805	18,722	1,083
TOTAL EXPENDITURES	158,315	172,315	145,632	26,683
REVENUES OVER (UNDER) EXPENDITURES	(84,315)	(98,315)	(63,972)	34,343
OTHER FINANCING SOURCES (USES)				
Transfers in	90,000	90,000	90,000	-
Transfers (out)	(5,000)	(5,000)	(5,000)	-
OTHER FINANCING SOURCES (USES)	85,000	85,000	85,000	-
NET CHANGE IN FUND BALANCES	685	(13,315)	21,028	34,343
FUND BALANCE, BEGINNING OF YEAR	88,753	88,753	88,753	-
FUND BALANCE, END OF YEAR	\$ 89,438	\$ 75,438	\$ 109,781	\$ 34,343

CITY OF ROCKFORD

**BUDGET STABILIZATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Interest	\$ 2,000	\$ 2,000	\$ 1,272	\$ (728)
OTHER FINANCING USES				
Transfers (out)	(2,000)	(2,000)	(1,272)	728
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	116,947	116,947	116,947	-
FUND BALANCE, END OF YEAR	\$ 116,947	\$ 116,947	\$ 116,947	\$ -

CITY OF ROCKFORD

**LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Interest and rentals	\$ 1,000	\$ 1,000	\$ 658	\$ (342)
Kent District Library	8,555	8,555	8,555	-
Other	50	50	205	155
TOTAL REVENUES	9,605	9,605	9,418	(187)
EXPENDITURES				
Recreation and Cultural:				
Personnel services	8,725	8,725	11,987	(3,262)
Operating supplies	1,225	1,225	920	305
Professional services	6,050	6,050	3,869	2,181
Insurance and bonds	75	75	119	(44)
Utilities	13,500	13,500	10,731	2,769
Miscellaneous	1,150	1,150	519	631
TOTAL EXPENDITURES	30,725	30,725	28,145	2,580
REVENUES OVER (UNDER) EXPENDITURES	(21,120)	(21,120)	(18,727)	2,393
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCES	(1,120)	(1,120)	1,273	2,393
FUND BALANCE, BEGINNING OF YEAR	55,633	55,633	55,633	-
FUND BALANCE, END OF YEAR	\$ 54,513	\$ 54,513	\$ 56,906	\$ 2,393

FIDUCIARY FUNDS

CITY OF ROCKFORD

**FIDUCIARY FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2004

	AGENCY FUNDS			
	ARTS COMMISSION	TRUST AND AGENCY	IMPREST PAYROLL	TOTAL
ASSETS				
Cash and temporary investments	\$ 32,883	\$ (672)	\$ 47,647	\$ 79,858
LIABILITIES				
Payroll taxes and withholdings	\$ -	\$ -	\$ 47,647	\$ 47,647
Due to other governmental units	-	(672)	-	(672)
Due to other entites	32,883	-	-	32,883
TOTAL LIABILITIES	\$ 32,883	\$ (672)	\$ 47,647	\$ 79,858

CITY OF ROCKFORD

**ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

FOR THE YEAR ENDED JUNE 30, 2004

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>ARTS COMMISSION FUND - 792</u>				
ASSETS				
Cash and temporary investments	\$ 30,701	\$ 31,376	\$ 29,194	\$ 32,883
LIABILITIES				
Due to other entities	\$ 30,701	\$ 31,376	\$ 29,194	\$ 32,883
<u>TRUST AND AGENCY - 703</u>				
ASSETS				
Cash and temporary investments	\$ (183)	\$ 8,935,372	\$ 8,935,861	\$ (672)
LIABILITIES				
Due to other governmental units	\$ (183)	\$ 8,155,305	\$ 8,155,794	\$ (672)
<u>IMPREST PAYROLL FUND - 750</u>				
ASSETS				
Cash and temporary investments	\$ 30,461	\$ 3,917,062	\$ 3,899,876	\$ 47,647
LIABILITIES				
Payroll taxes and withholding	\$ 30,461	\$ 767,616	\$ 750,430	\$ 47,647
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and temporary investments	\$ 200,559	\$ 12,883,810	\$ 12,864,931	\$ 79,858
TOTAL ASSETS	\$ 200,559	\$ 12,883,810	\$ 12,864,931	\$ 79,858
LIABILITIES				
Payroll taxes and withholdings	\$ 30,461	\$ 767,616	\$ 750,430	\$ 47,647
Due to other governmental units	(183)	8,155,305	8,155,794	(672)
Due to other entities	170,281	31,376	29,194	32,883
TOTAL LIABILITIES	\$ 200,559	\$ 8,954,297	\$ 8,935,418	\$ 79,858

DOWNTOWN DEVELOPMENT AUTHORITY

CITY OF ROCKFORD

**DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET / STATEMENT OF NET ASSETS**

JUNE 30, 2004

	OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
<u>ASSETS</u>			
Cash and temporary investments	\$ 30,534	\$ -	\$ 30,534
Accounts receivable	745	-	745
Capital assets	-	1,307,719	1,307,719
<u>TOTAL ASSETS</u>	<u>\$ 31,279</u>	<u>1,307,719</u>	<u>1,338,998</u>
 <u>LIABILITIES AND FUND EQUITY/NET ASSETS</u>			
LIABILITIES			
Other accrued liabilities	\$ -	14,578	14,578
General obligation debt payable	-	675,000	675,000
	-	689,578	689,578
 FUND EQUITY			
Fund balance			
Unreserved - undesignated	31,279	(31,279)	-
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 31,279</u>	<u>618,141</u>	<u>649,420</u>
 NET ASSETS			
Invested in capital assets net of related debt			632,719
Unrestricted			16,701
<u>TOTAL NET ASSETS</u>		<u>\$ 649,420</u>	<u>\$ 649,420</u>

CITY OF ROCKFORD

**DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED JUNE 30, 2004

	OPERATING FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
REVENUES			
Taxes	\$ 100,458	\$ -	\$ 100,458
Interest and rentals	605	-	605
TOTAL REVENUES	101,063	-	101,063
EXPENDITURES			
General government	16,680	(17,194)	(514)
Capital outlay	3,598	-	3,598
TOTAL EXPENDITURES	20,278	(17,194)	3,084
REVENUES OVER (UNDER) EXPENDITURES	80,785	17,194	97,979
OTHER FINANCING SOURCES (USES)			
Transfers from primary government	15,000	-	15,000
Transfer out	(87,788)	-	(87,788)
TOTAL OTHER FINANCING SOURCES (USES)	(72,788)	-	(72,788)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	7,997	(7,997)	-
CHANGES IN NET ASSETS	-	25,191	25,191
FUND BALANCES/NET ASSETS, BEGINNING OF YEAR	23,282		624,229
FUND BALANCES/NET ASSETS, END OF YEAR	\$ 31,279		\$ 649,420

SCHEDULE OF INDEBTEDNESS

CITY OF ROCKFORD
SCHEDULE OF INDEBTEDNESS

JUNE 30, 2004

	INTEREST RATES	INTEREST DATES	ISSUE DATE	FINAL	ISSUED	OBLIGATIONS		PRINCIPAL PAYMENTS		
				MATURITY DATE		RETIRE	OUTSTANDING	DATE	AMOUNT	
GENERAL OBLIGATION DEBT										
Transportation Fund Bonds, Series 1999	5.05%	8/1-2/1		8/1/14	\$ 995,000	\$ 195,000	\$ 795,000	8/1/04	\$ 55,000	
								8/1/05	60,000	
								8/1/06	60,000	
								8/1/07	65,000	
								8/1/08	70,000	
								8/1/09	70,000	
								8/1/10	75,000	
								8/1/11	80,000	
								8/1/12	85,000	
								8/1/13	85,000	
								8/1/14	90,000	
										795,000
Installment Note	3.19%	10/1- 4/1	5/15/2003	10/1/2009	240,000	32,090	207,910	10/1/04	32,150	
								10/1/05	33,183	
								10/1/06	34,250	
								10/1/07	35,352	
								10/1/08	36,488	
								10/1/09	36,486	
										207,910
Accrued Employee Benefits										178,859
TOTAL GENERAL OBLIGATION DEBT										1,181,769
COMPONENT UNIT DEBT										
Limited Tax Development Bonds Series 1997	5-5.25%	2/1- 8/1	11/1/97	2/1/2013	900,000	225,000	675,000	2/1/05	55,000	
								2/1/06	60,000	
								2/1/07	65,000	
								2/1/08	70,000	
								2/1/09	75,000	
								2/1/10	80,000	
								2/1/11	85,000	
								2/1/12	90,000	
								2/1/13	95,000	
TOTAL COMPONENT UNIT DEBT										675,000

(Continued)

CITY OF ROCKFORD

SCHEDULE OF INDEBTEDNESS (CONTINUED)

JUNE 30, 2004

ENTERPRISE FUNDS	INTEREST	INTEREST	ISSUE DATE	FINAL	OBLIGATIONS			PRINCIPAL PAYMENTS	
	RATES	DATES		MATURITY	ISSUED	RETIRED	OUTSTANDING	DATE	AMOUNT
Water Construction Revenue Bonds	7.5 - 12%	5/1- 11/1	5/1/86	5/1/2006	\$ 450,000	\$ 360,000	\$ 90,000	5/1/05	\$ 45,000
								5/1/06	45,000
									90,000
Water Supply System Revenue Bonds	6 - 9.96%	5/1- 11/1	5/1/90	5/1/2009	785,000	510,000	275,000	5/1/05	50,000
								5/1/06	50,000
								5/1/07	55,000
								5/1/08	60,000
								5/1/09	60,000
									275,000
Water Supply System Revenue Bonds	5.25-7.0%	2/1- 8/1	12/1/97	5/1/2013	680,000	95,000	585,000	5/1/05	25,000
								5/1/06	35,000
								5/1/07	75,000
								5/1/08	75,000
								5/1/09	75,000
								5/1/10	75,000
								5/1/11	75,000
								5/1/12	75,000
								5/1/13	75,000
									585,000
								Drinking Water Revolving Fund Bonds	2.5%
10/1/05	110,000								
10/1/06	115,000								
10/1/07	115,000								
10/1/08	120,000								
10/1/09	120,000								
10/1/10	125,000								
10/1/11	130,000								
10/1/12	130,000								
10/1/13	135,000								
10/1/14	140,000								
10/1/15	140,000								
10/1/16	145,000								
10/1/17	150,000								
10/1/18	150,000								
	1,935,000								

(Continued)

CITY OF ROCKFORD

SCHEDULE OF INDEBTEDNESS (CONTINUED)

JUNE 30, 2004

	INTEREST RATES	INTEREST DATES	ISSUE DATE	FINAL MATURITY DATE	OBLIGATIONS			PRINCIPAL PAYMENTS	
					ISSUED	RETIRED	OUTSTANDING	DATE	AMOUNT
Local Government Loan Program Revenue									
Refunding Bonds, Series 2002B	2 - 3.625%	11/1- 5/1	11/1/2002	5/1/2013	\$ 1,680,000	\$250,000	\$ 1,430,000	5/1/2005	\$ 135,000
								5/1/2006	145,000
								5/1/2007	145,000
								5/1/2008	150,000
								5/1/2009	155,000
								5/1/2010	165,000
								5/1/2011	170,000
								5/1/2012	180,000
								5/1/2013	185,000
									<u>1,430,000</u>
Capital Improvement Bonds, Series 2003	4 - 4.050%	10/1- 4/1	4/24/2003	10/1/2023	545,000	-	545,000	10/1/2004	20,000
								10/1/2005	20,000
								10/1/2006	20,000
								10/1/2007	20,000
								10/1/2008	20,000
								10/1/2009	20,000
								10/1/2010	25,000
								10/1/2011	25,000
								10/1/2012	25,000
								10/1/2013	25,000
								10/1/2014	25,000
								10/1/2015	25,000
								10/1/2016	30,000
								10/1/2017	30,000
								10/1/2018	30,000
								10/1/2019	35,000
								10/1/2020	35,000
								10/1/2021	35,000
								10/1/2022	40,000
								10/1/2023	40,000
									<u>545,000</u>
TOTAL ENTERPRISE FUNDS									<u>4,860,000</u>
TOTAL LONG-TERM OBLIGATIONS - REPORTING ENTITY									<u>\$6,716,769</u>
									(Concluded)

**INTERNAL CONTROL
AND
COMPLIANCE**



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

July 30, 2004

Honorable Mayor and
Members of the City Council
Rockford, Michigan

We have audited the financial statements of the City of Rockford, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Rockford, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Rockford, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Robson

Continuing Disclosure Filing

City of Rockford, Michigan

*Fiscal Year Ended
June 30, 2004*

LIST OF CURRENT
NATIONALLY RECOGNIZED MUNICIPAL SECURITIES
INFORMATION REPOSITORIES (NRMSIRs)

Standard & Poor's J.J. Kenny Repository
55 Water Street – 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 Williams Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market)
Fax: (212) 771-7391 (Primary Market)
E-mail: Nrmsir@FTID.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

STATE INFORMATION REPOSITORY

Municipal Advisory Council of Michigan
1445 First National Building
Detroit, Michigan 48226-3517
Phone: 313-963-0420
Fax: 313-963-0943

MUNICIPAL SECONDARY MARKET DISCLOSURE
INFORMATION COVER SHEET

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository pursuant to Securities and Exchange Commission Rule 15c2-12.

Issuer's and/or Other Obligated Person's Name: City of Rockford, Michigan

CUSIP Numbers (attach additional sheet if necessary):

☐ Nine-digit number(s) to which the information relates: _____

☒ Information relates to **all securities** issued by the issuer having the following six-digit number(s): 660294
* * *

Number of pages of attached information: _____

Description of Material Event Notice / Financial Information (Check One):

1. _____ Principal and interest payment delinquencies
2. _____ Non-Payment related defaults
3. _____ Unscheduled draws on debt service reserves reflecting financial difficulties
4. _____ Unscheduled draws on credit enhancements reflecting financial difficulties
5. _____ Substitution of credit or liquidity providers, or their failure to perform
6. _____ Adverse tax opinions or events affecting the tax-exempt status of the security
7. _____ Modifications to rights of securities holders
8. _____ Bond calls
9. _____ Defeasances
10. _____ Release, substitution, or sale of property securing repayment of the securities
11. _____ Rating changes
12. _____ Failure to provide annual financial information.
13. _____ Other material event notice (specify)
14. X _____ Financial information*: Please check all appropriate boxes:

☐ CAFR: (a) ☐ includes ☐ does not include Annual Financial Information
(b) Audited? Yes ☐ No ☐

☒ Annual Financial Information: Audited? Yes ☒ No ☐

☒ Operating Data

Fiscal Period Covered: July 1, 2003 – June 30, 2004

*Financial information **should not** be filed with the MSRB

* * *

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: Jeff Dood Title: Finance Director

Employer: City of Rockford, Michigan

Address: 7 South Monroe Street

City, State, Zip Code: Rockford, Michigan 49341-0561

Voice Telephone Number: 616-866-1537

City of Rockford
Ten Largest Taxpayers
Fiscal Year Ending June 30, 2004

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value (1)</u>	<u>Percent of Total (2)</u>
Wolverine World Wide, Inc.	Industrial Mfg - Shoes	\$19,324,292	10.34%
ITW / AIM.....	Industrial Mfg - Furniture.....	3,915,141	2.09
Grinwood / Champion.....	Health Club / Med Office & Retail	4,591,200	2.46
Jade Pig.....	Shopping Center	4,239,000	2.27
Byrne Electrical Spec.	Industrial Mfg – Wire Harness	3,315,269	1.77
Kalfact Plastics	Industrial Mfg – Injection Molding.....	2,463,213	1.32
Grand Rapids Controls	Industrial Mfg – Cables / Inj. Molding.....	2,768,785	1.48
Rogue Ridge / Holwerda.....	Apartments / New Homes.....	2,518,562	1.35
Marcell Ridge Apts.....	Apartments	2,353,200	1.26
Advanced Fabricating.....	Industrial Mfg – Injection Molding.....	1,060,995	0.57
		<u>\$ 46,549,657</u>	<u>24.91%</u>

(1) Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

(2) Based on \$186,975,004 which is the City's Total Taxable Value for its fiscal year ending June 30, 2005. Includes the Equivalent Taxable Value of property granted tax abatement under Act 198.

Source: City of Rockford

City of Rockford
State Equalized Valuation
Fiscal Years Ended or Ending June 30, 2001 Through 2005

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending June 30	Ad Valorem SEV	SEV of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total SEV	Percent Increase Over Prior Year
1999	2000	2001	\$145,860,000	\$14,366,000	\$160,226,000	12.18%
2000	2001	2002	159,498,700	15,056,400	174,555,100	8.94
2001	2002	2003	173,380,800	20,142,500	193,523,300	10.87
2002	2003	2004	185,981,800	19,392,100	205,373,900	6.12
2003	2004	2005	197,713,200	18,748,400	216,461,600	5.40
Per Capita Total SEV for the Fiscal Year Ending June 30, 2005 (2)						\$46,792.39

(1) See "CITY TAXATION AND LIMITATIONS – Tax Abatement", herein.

(2) Based on the City's 2000 census population of 4,626.

Source: City of Rockford

City of Rockford
Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2001 Through 2005

	Fiscal Years Ended or Ending June 30				
Use	2001	2002	2003	2004	2005
Agriculture	\$ 107,500	\$ 107,500	\$ 115,000	\$ 98,600	\$ 98,600
Commercial	32,893,200	35,274,000	40,503,100	44,611,200	45,156,700
Industrial	44,264,900	48,468,800	53,482,100	51,374,300	52,160,600
Residential.....	80,926,200	88,522,400	97,146,800	106,994,100	116,147,500
Utility	2,034,200	2,182,400	2,276,300	2,295,700	2,898,200
	<u>\$ 160,226,000</u>	<u>\$ 174,555,100</u>	<u>\$ 193,523,300</u>	<u>\$ 205,373,900</u>	<u>\$ 216,461,600</u>
Class	2001	2002	2003	2004	2005
Real Property.....	\$ 134,661,200	\$ 144,496,300	\$ 158,841,000	\$ 172,181,200	\$ 185,053,300
Personal Property	25,564,800	30,058,800	34,682,300	33,192,700	31,408,300
	<u>\$ 160,226,000</u>	<u>\$ 174,555,100</u>	<u>\$ 193,523,300</u>	<u>\$ 205,373,900</u>	<u>\$ 216,461,600</u>

Source: City of Rockford

Tax Abatement

The City's Taxable Value does not include the value of certain facilities which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198 or Act 255 (the "Acts"). The Acts were designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Acts, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts, industrial development districts, and commercial redevelopment districts and offer industrial and commercial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial or commercial facilities exemption certificate granted under either of the Acts entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities or commercial facilities tax (the "IFT Tax" and "CFT Tax", respectively). For properties granted tax abatement under Act 198 or Act 255 there exists separate tax rolls referred to as the industrial facilities tax roll (the "IFT Tax Roll") and the commercial facilities tax roll (the "CFT Tax Roll"), respectively. The IFT or CFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT or CFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the State plus none, 1/2 or all of the State tax rate (as determined by the State Treasurer). Act 255 expired as an effective statute of the State on December 31, 1986 and tax abatements granted to commercial facilities under Act 255 prior to December 31, 1986 have expired.

The City has established goals, objectives and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial and commercial firms. Most abatements have been for new industrial facilities. The SEV of properties which have been granted tax abatement under the Acts, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Rolls totaled \$18,748,400 for the fiscal year ending June 30, 2005. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$8,975,095 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial or commercial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

**City of Rockford
Maximum Property Tax Rates
Fiscal Year Ending June 30, 2005**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Applicable Millage Reduction Fraction (1)</u>	<u>Maximum Allowable Millage</u>
Operating.....	16.0000	0.8769	14.0311

(1) Cumulative.

Source: City of Rockford

**City of Rockford
Property Tax Rates
Fiscal Years Ended or Ending June 30, 2001 Through 2005**

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Operating</u>
2000	2001	11.0000
2001	2002	10.9000
2002	2003	10.9000
2003	2004	10.9000
2004	2005	10.9000

Source: City of Rockford

**City of Rockford
Property Tax Collections
Fiscal Years Ended or Ending June 30, 2001 Through 2005**

<u>July 1 Levy</u>	<u>Fiscal Years Ended or Ending June 30</u>	<u>Tax Levy(1)</u>	<u>Collections to March 1 Following Levy</u>	<u>Percent Collected</u>
2000	2001	\$1,447,181	\$ 1,409,432	95.66 %
2001	2002	1,585,000	1,576,114	97.39
2002	2003	1,735,702	1,726,502	99.44
2003	2004	1,836,739	1,785,056	97.12
2004	2005	1,926,000	(In Process of Collecting)	

(1) City taxes only. Does not include taxes on properties granted tax abatement under Acts 198 and 255.
Source: City of Rockford

City of Rockford
Taxable Value
Fiscal Years Ended or Ending June 30, 2001 Through 2005

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax Levy	City's Fiscal Years Ended or Ending <u>June 30</u>	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 And 255 (1)	Total Taxable Value	Percent Increase Over Prior Year
1999	2000	2001	\$131,723,166	\$7,053,363	\$138,776,529	8.46%
2000	2001	2002	145,455,264	7,419,750	152,875,014	10.16
2001	2002	2003	159,238,724	10,018,812	169,257,536	10.72
2002	2003	2004	168,508,212	9,616,439	178,124,651	5.24
2003	2004	2005	177,999,909	8,975,095	186,975,004	4.97
Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2005 (2)						\$40,418.29

(1) At the full tax rate. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

(2) Based on the City's 2000 census population of 4,626.

Source: City of Rockford

City of Rockford
Total Taxable Value by Use and Class
Fiscal Years Ended or Ending June 30, 2001 Through 2005

	<u>Fiscal Years Ended or Ending June 30</u>				
<u>Use</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Agriculture.....	\$ 103,345	\$ 106,426	\$ 109,753	\$ 94,146	\$ 95,537
Commercial	29,438,972	32,433,048	37,674,755	41,652,483	41,868,503
Industrial.....	33,575,755	37,657,060	40,267,283	38,189,128	38,312,795
Residential	73,624,257	80,496,080	88,929,445	95,893,194	103,940,259
Utility.....	2,034,200	2,182,400	2,276,300	2,295,700	2,757,910
	<u>\$ 138,776,529</u>	<u>\$ 152,875,014</u>	<u>\$ 169,257,536</u>	<u>\$ 178,124,651</u>	<u>\$ 186,975,004</u>
<u>Class</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Real Property.....	\$ 115,244,479	\$ 124,847,264	\$ 138,581,586	\$ 148,421,251	\$ 158,548,344
Personal Property	23,532,050	28,027,750	30,675,950	29,703,400	28,426,660
	<u>\$ 138,776,529</u>	<u>\$ 152,875,014</u>	<u>\$ 169,257,536</u>	<u>\$ 178,124,651</u>	<u>\$ 186,975,004</u>

Source: City of Rockford